

BUDGET LETTER

NUMBER: 96-07

SUBJECT: 1997-98 PRICE LETTER STANDARDS

DATE ISSUED: JULY 25, 1996

REFERENCES:

SUPERSEDES: 95-05

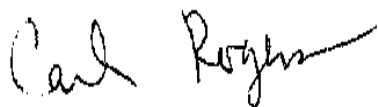
TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Price Letter Standards for 1997-98.

Departments will not be provided a price increase as a baseline adjustment in 1997-98. Although departments may not use cost factors for categories specifically covered by the Price Book and these Price Letter instructions, the factors are included for informational purposes.

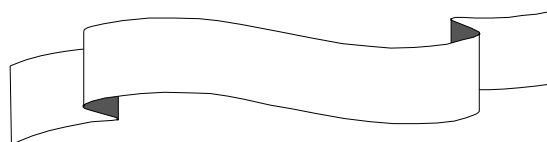
The Price Letter does not cover the prices of goods and services that are included in the Department of General Services' Price Book and Directory of Services, which is distributed to each State agency. Copies of the Price Book may be obtained by contacting the Office of Fiscal Services, Department of General Services, 1325 "J" Street, Suite 1600, Sacramento, CA 95814.



Carl Rogers
Program Budget Manager

Attachments

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Upcoming Budget Letters

- 1996 Budget Act Control Sections
- 1997-98 Budget Development Policy Guidelines
- Initial 1997-98 Budget Galley
- 1997-98 Salaries and Wages Galley and Position Cost Estimates

PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

<u>UCM Code</u>	<u>Line-Item Object</u>	<u>1996-97^a</u>	<u>1997-98^a</u>
	<u>Personal Services</u>		
103103	OASDI	6.2% on wage ceiling of \$65,100 ^b	6.2% on wage ceiling of \$68,100 ^c
103137	Medicare	1.45% no wage ceiling ^b	1.45% no wage ceiling ^c
103105	Health Benefits-Public Employees		
103107	Retirement-Public Employees		
	<u>Operating Expenses</u>		
311223	Library Purchases		
	Books	0.2%	0.6%
	Subscriptions	8.4%	19.3%
	Serial Services	5.6%	12.4%
313257	Telephone	^{d, e}	^{d, e}
314261	Postage	^e	^e
317292	In-State Travel Per Diem	^e	^e
324362	Electricity	1.5%	3.3%
324363	Natural Gas	1.5%	3.8%
324364	Liquid Petroleum Gas	3.8%	3.0%
325396	Attorney General Services		
	Attorney Services	\$98.00/hr. ^f	\$98.00/hr. ^f
	Paralegal Services	\$52.00/hr. ^f	\$52.00/hr. ^f
328428	Consolidated Data Center	^e	^e
330438	Pro Rata	^e	2.6% ^g
330439	SWCAP	^e	6.2% ^g
333503	Clothing and Personal Supplies	2.8%	3.8%
333504	Medical Care	3.5%	8.4%
333506	Foodstuffs	6.0%	10.5%
333513	Laundry ⁱ		
	General Linen	27¢/lb.	28¢/lb.
	Personal Clothing	29¢/lb.	30¢/lb.

^a Percentage change over 1995-96, unless specified otherwise.

^b 1/1/97 - 12/31/97.

^c 1/1/98 - 12/31/98.

^d Budget at 7/1/96 rates.

^e See following text.

^f Tentative rate pending approval of collective bargaining agreements.

^g Percentage increase over 1996-97.

^h Prices do not include transportation charges, which are based on mileage. See following text for detail.

OPERATING EXPENSES

LIBRARY PURCHASES

Based on industry statistics, agencies should budget library acquisitions as follows:

<u>Item</u>	<u>Percent Change over 1995-96 actual cost</u>	
	<u>1996-97</u>	<u>1997-98</u>
Books	0.2%	0.6%
Subscriptions	8.4%	19.3%
Serials Services	5.6%	12.4%

TELEPHONE

Telephone rates for Centrex services are expected to remain stable during the current and budget years due to a contractual agreement. CALDEX service rates will be comparable to Centrex service, and CALNET service charges will also remain stable. Agencies are advised to budget telephone costs for 1996-97 and 1997-98 at 1995-96 rates.

POSTAGE

Agencies are advised to budget postage for 1996-97 and 1997-98 at rates as of July 1, 1996. Current rate schedules are available at most post office branches. Postal service classification reform took effect on July 1, 1996, and will require departments and agencies to bar code their mail in order to qualify for the greatest discounts. Departments may contact U.S. Postal Service Account Representative, Joanne Cisneros, at 263-7032 for more information.

IN-STATE TRAVEL PER DIEM

For 1996-97 and 1997-98, the reimbursements for meals and incidentals should be budgeted at \$37.00 per 24-hour period. Lodging should be budgeted as follows:

Lodging - Statewide

With receipt up to \$79.00

Lodging - Conferences/Conventions

Non-state sponsored, with prior written approval of appointing power no maximum

State-sponsored, with prior written approval of appointing power up to \$110.00.

Note: Agencies are advised the above rates are for budgeting purposes only. The Department of Personnel Administration will notify agencies of any changes that result from collective bargaining. Actual rates are determined by collective bargaining agreements and may vary by bargaining unit.

HEAT, LIGHT, AND POWERElectricity

All the major electric utilities have several rate schedules. These schedules are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Agencies should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

Agencies are advised to budget 1996-97 and 1997-98 at 1.5 percent and 3.3 percent, respectively, above 1995-96 expenditures.

Natural Gas

Natural gas prices for state agencies are expected to increase 1.5 percent in 1996-97 and 3.8 percent in 1997-98, above 1995-96 levels. Agencies are advised to determine the break-even costs between natural gas and fuel oil and to convert to fuel oil when it is advantageous to do so.

Fuel Oil and Liquefied Petroleum Gas

Agencies are advised to budget liquefied petroleum gas for 1996-97 and 1997-98 at 3.8 percent and 3.0 percent, respectively, above 1995-96 actual expenditures. Agencies should budget fuel oil at current market rates.

CONSOLIDATED DATA CENTER SERVICES

For 1996-97, agencies are advised to budget Teale Data Center services at the rates effective as of April 1, 1996, and Health and Welfare Data Center services at the rates effective as of August 1, 1995. Both data centers plan to undertake periodic rate reviews to evaluate the need for future rate revisions. Neither data center has determined when their rates will be modified in the future. Departments and agencies are advised to contact the appropriate data center regarding rate changes that may occur after the date of this Price Letter.

Note: Departments should review costs by component to determine budget impact of cost changes. Cost component data are available from Teale Data Center or Health and Welfare Data Center.

CENTRAL ADMINISTRATIVE SERVICES

Central administrative services include Pro Rata and statewide indirect cost recoveries from the federal government (SWCAP).

Pro Rata Charges

Pro Rata charges assessed to special funds for 1996-97 have been submitted to departments. Departments affected by Pro Rata charges will be notified of their 1997-98 Pro Rata assessments by mid October, 1996. In the interim, amounts for 1997-98 should be budgeted on the average of 2.6 percent higher than the 1996-97 Pro Rata assessment. The 1997-98 Pro Rata assessment will be based on actual workload for 1995-96. Some departments may experience more or less than the average 2.6 percent increase.

SWCAP (Statewide Cost Allocation Plan)

SWCAP costs are General Fund costs incurred by various central service departments (e.g., State Personnel Board, State Controller's Office, etc.) for providing centralized services to all departments including those which receive federal funds.

SWCAP is shown in the budget of each department that will recover central service costs from the federal government.

SWCAP allocations for 1996-97 have been submitted to departments. Departments will be notified of their 1997-98 SWCAP allocation by mid October, 1996. In the interim, departments should expect their SWCAP allocation for 1997-98 to be 6.2 percent higher than the 1996-97 SWCAP allocations. Amounts budgeted to be recovered for 1997-98 will depend on the SWCAP allocations and expected changes in federal funding for 1997-98.

CLOTHING

Agencies are advised to budget clothing for 1996-97 and 1997-98 at 2.8 percent and 3.8 percent, respectively, above 1995-96 actual expenditures.

MEDICAL CARE SUPPLIES

Agencies should budget contract items at current prices. Agencies are advised to budget the remaining items for 1996-97 and 1997-98 at 3.5 percent and 8.4 percent above 1995-96 actual expenditures.

FOODSTUFFS (FEEDING)

Agencies are advised to budget feeding costs for 1996-97 and 1997-98 at 6.0 percent and 10.5 percent, respectively, above 1995-96 actual expenditures.

LAUNDRY

Laundry prices for agencies served by state correctional institutions should be budgeted as follows:

<u>Service</u>	<u>1996-97</u>	<u>1997-98</u>
General Linen	27¢/lb.	28¢/lb.
Personal Clothing	29¢/lb.	30¢/lb.

Additional charges for transportation of laundry should be budgeted as follows:

<u>Round Trip Mileage</u>	<u>1996-97</u>	<u>1997-98</u>
0-25	\$56.88	\$59.16
26-50	85.88	89.32
51-100	150.69	156.72
101-150	204.47	212.65
151-200	260.45	270.87
201-250	315.98	328.62
251-300	370.06	384.86
301-350	434.86	452.25
351-400	501.01	521.05

POPULATION

California's total population on July 1, 1996, is projected at 32,666,000--an increase of 603,000 over the number residing in the State on the same date last year.

Civilian population on July 1, 1996, the essential figure for most budget computations, is 32,476,000. This represents a growth of 603,000 over the past 12 months. Current projections for mid-1997 place the total population at 33,309,000--an increase of approximately 2.0 percent for both total and civilian population, from the preceding July 1. The total population as of July 1, 1998, is expected to be 33,943,000, of which 33,753,000 would be civilians. These data are summarized in Table 1.

Table 2 shows the civilian population for the years 1994-1998 distributed by five-year age groups. This distribution is based upon the results of the April 1, 1990, decennial census, Department of Finance estimates, and the most recent Department of Finance projection series.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 1994-1998
(in thousands)

<u>July 1</u>	<u>Total</u> <u>Population</u>	<u>Civilian</u> <u>Population</u>	<u>One-year change</u>	
			<u>Total</u>	<u>Civilian</u>
1994	31,791	31,587	---	---
1995	32,063	31,873	272	286
1996	32,666	32,476	603	603
1997	33,309	33,119	643	643
1998	33,943	33,753	634	634

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE
(in thousands)

<u>Age in</u> <u>Years</u>	<u>7/1/94</u>	<u>7/1/95</u>	<u>7/1/96</u>	<u>7/1/97</u>	<u>7/1/98</u>
0-4	2,786	2,925	2,902	2,868	2,853
5-9	2,458	2,410	2,541	2,683	2,756
10-14	2,221	2,245	2,302	2,354	2,448
15-19	1,936	1,981	2,074	2,156	2,234
20-24	2,161	2,015	1,950	1,962	2,001
25-29	2,569	2,517	2,523	2,503	2,468
30-34	2,890	2,880	2,849	2,829	2,781
35-39	2,833	2,846	2,860	2,869	2,917
40-44	2,441	2,499	2,616	2,749	2,833
45-49	2,023	2,128	2,265	2,302	2,365
50-54	1,536	1,601	1,660	1,802	1,909
55-59	1,216	1,253	1,298	1,346	1,427
60-64	1,089	1,085	1,086	1,105	1,128
65+	<u>3,428</u>	<u>3,488</u>	<u>3,550</u>	<u>3,591</u>	<u>3,633</u>
Total	31,587	31,873	32,476	33,119	33,753